

Message Text

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 L-03 IGA-02 /138 W

----- 011685

R 030652Z DEC 73

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 8498

UNCLAS SECTION 1 OF 2 TOKYO 15602

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: REVISED ECONOMIC OUTLOOK FOR JFY 1973

SUMMARY: ECONOMIC PLANNING AGENCY (EPA) HAS JUST RELEASED REVISED ECONOMIC PROJECTION IN CONNECTION WITH DIET CONSIDERATION OF SUPPLEMENTAL BUDGET (TOKYO 15440). JAPANESE ECONOMIC RESEARCH COUNCIL (JERC) ALSO HAS RELEASED ITS REGULAR SEMI-ANNUAL 18-MONTH ECONOMIC FORECAST. OFFICIAL PROJECTIONS (EPA) GENERALLY ON VERY CONSERVATIVE SIDE AS PART OF MOF BUDGET STRATEGY HOLDING DOWN EXPENDITURE GROWTH. PREVIOUS FORECAST (TOKYO A-17) THAT REAL GNP GROWTH WOULD BE 10.7 PERCENT JFY 73 NOW BEEN REVISED TO INCREASE OF ONLY 6 PERCENT. IN VIEW OF SLOW ECONOMIC GROWTH FIRST HALF AND ANTICIPATED IMPACT OF OIL SHORTAGES, JERC PROJECTION ALSO MUCH LESS OPTIMISTIC. FORECAST OF REAL GROWTH REVISED DOWNWARD TO 8.4 PERCENT FROM PREVIOUS PROJECTION 10.1 PERCENT JFY 73 (A-587). ON OTHER HAND, FORECAST OF PRICE INCREASES REVISED UPWARD BY PACE OF INFLATION EXPECTED TO PEAK OUT AT FISCAL YEAR END. RECENT BALANCE OF PAYMENTS DEFICITS LED TO SUBSTANTIAL REVISIONS ALTHOUGH BOTH EPA AND JERC ANTICIPATE SMALL CURRENT ACCOUNT DEFICIT AND OVER \$8 BIL DEFICIT BASIC BALANCE. FOLLOWING ARE SUMMARY COMPARISONS BETWEEN TWO REVISED PROJECTIONS:

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EPA	JERC	
(PERCENT CHANGE)		
FORECAST JFY 72/73		
REAL GNP	6	8.4
INDUSTRIAL PRODUCTION	8	11.9
NOMINAL GNP	21	24.8
WHOLESALE PRICE INDEX	17	18.8
CONSUMER PRICE INDEX	13	15.1
(IN BILL DOLLARS)		
TRADE BALANCE	3.1	3.5
CURRENT ACCOUNT (MINUS)	0.8	0.4
BASIC BALANCE (MINUS)	8.6	8.3

1. EPA PROJECTION: WITHOUT OIL CRISIS, REVISED GNP FORECAST WOULD HAVE BEEN INCREASE OF 9 PERCENT JFY 73. THIS IMPLIES INCREASE OF 4.1 PERCENT SECOND HALF OVER PROVISIONAL FIGURES FOR FIRST HALF (SEASONALLY ADJUSTED). HOWEVER, EPA, ASSUMING THAT OIL IMPORTS IN LAST HALF WILL BE LIMITED TO 16 PERCENT LESS THAN EARLIER ESTIMATES OF IMPORT VOLUME, PROJECTS ONLY 6 PERCENT ANNUAL RISE IN REAL GNP WHICH EQUIVALENT TO ONE AND ONE-HALF PERCENT DECLINE SECOND HALF FROM FIRST HALF (SEASONALLY ADJUSTED). FOLLOWING ARE ORIGINAL AND REVISED PROJECTIONS. COL A REPRESENTS PERCENTAGE INCREASE OF ORIGINAL JAN PROJECTIONS OVER JFY 72 ESTIMATED LAST JAN; COL B REPRESENTS PERCENT INCREASE ORIGINAL FORECAST OVER PROVISIONAL JFY 72 RESULTS; COL C REPRESENTS PERCENTAGE INCREASE REVISED FORECAST OVER PROVISIONAL JFY 72 RESULTS.

	COL A	COL B	COL C
REAL GNP	10.7	9.1	6
NOMINAL GNP	16.4	14.6	21
CONSUMPTION	15.2	14.0	21
RESIDENTIAL CONSTRUCTION	21.4	16.5	30
MACHIN. EQUIPMENT	14.0	9.4	27
INVENTORY	85.0	75.3	75
GOVT INCL. INVEST.	16.6	16.6	16
INDUSTRIAL PRODUCTION	12.0	11.0	8
WHOLESALE PRICE INDEX	2.0	1.0	17
CONSUMER PRICE INDEX	5.5	5.6	13

BALANCE OF PAYMENTS PROJECTION IN BILLIONS OF DOLLARS AS FOLLOWS:

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B/P IN BILL DOLLARS	ORIG.	REVISED
EXPORTS	33.3	38.0
IMPORTS (MINUS)	25.2	34.9
TRADE BALANCE	8.1	3.1
CURRENT ACCOUNT	4.95	MINUS 0.8
LONG-TERM CAPITAL (MINUS)	4.0	7.8
BASIC BALANCE	0.95	MINUS 8.6

2. PREVIOUS JERC FORECAST JFY 73 AND JFY 74 REPORTED A-587.
 CURRENT FORECAST BASED ON ASSUMPTION THAT RESTRICTIONS ON
 CRUDE OIL IMPORTS WILL LAST UNTIL JUNE 74. DURING APR-JUNE
 QUARTER, IMPORTS WILL BE 20 PERCENT LESS THAN HAD BEEN ORIGINALLY
 PLANNED (THOSE PLANS REPRESENT 10 PERCENT HIGHER IMPORT LEVELS
 THAN IN JFY 73). ASSUMPTION MADE THAT AFTER OIL JUNE 74 LEVEL
 OF OIL IMPORTS WILL RISE BUT FOR FISCAL YEAR AS WHOLE THERE WILL
 STILL BE 10 PERCENT SHORTFALL FROM PLANNED VOLUME. JERC NOTES
 THAT IF RESTRICTIONS ON CRUDE OIL IMPORTS APPLY ENTIRE JFY 74,
 LEVEL OF IMPORTS WOULD DROP BACK TO JFY 70 LEVEL. PRESUMPTION IS
 THAT REAL GNP WOULD ALSO FALL BACK TO JFY 70 LEVEL FOR DROP OF
 SOME 30 PERCENT. HIGHLIGHTS OF REVISED FORECAST SHOWN BELOW
 TO BE FOLLOWED BY REGULAR AIRGRAM REPORT.

	NOMINAL		REAL GNP	GNP
QUARTER TO QUARTER PERCENT				
CHANGES OF SEASONALLY ADJUSTED				
FIGURES				
1973 II	2.0	6.6		
1973 III	0.4	4.9		
1973 IV	1.9	6.8		
1974 I	MINUS 0.6	4.6		
1974 II	MINUS 0.1	3.7		
1974 III	1.4	3.7		
1974 IV	2.7	4.8		
1975 I	3.0	5.5		
1975 II	3.9	6.5		

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ACTION EB-11

INFO OCT-01 EA-11 ISO-00 SPC-03 AID-20 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 PA-04 PRS-01 DRC-01 /134 W

----- 011739

R 030652Z DEC 73

FM AMEMBASSY TOKYO
TO SECSTATE WASHDC 8499

UNCLAS SECTION 2 OF 2 TOKYO 15602

PERCENT INCREASE OVER JFY 72 JFY 73 JFY 74

REAL GNP	8.4	3.7	
NOMINAL GNP	24.8	19.5	
CONSUMPTION	24.5	21.7	
RESIDENTIAL CONSTRUCTION	33.2	22.7	
MACHINERY, EQUIPMENT	33.4	16.3	
INVENTORY	94.5	MINUS 55.4	
GOVT INCL. INVEST.	19.7	23.5	
INDUSTRIAL PRODUCTION	11.9	1.6	
WHOLESALE PRICE INDEX	18.8	16.6	
CONSUMER PRICE INDEX	15.1	13.4	

B/P IN MILLION DOLLARS JFY 1973 JFY 1974

EXPORTS	37,936	45,856
IMPORTS (MINUS)	34,485	37,906
TRADE BALANCE	3,451	7,950
CURRENT ACCOUNT	MINUS 388	4,297
LONG-TERM CAPITAL (MINUS)	7,900	6,904
BASIC BALANCE (MINUS)	8,288	2,607

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